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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/17/08

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- (1) Tax reform: Concealing tax increases an act deception
- (2) Introduction of compensation system for obstetric patients a step forward but contains many problems

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- (1) Deepen debate on making 18 the age of majority
- (2) Policy on spring wage offensive: Labor and management should try to overcome difficult situation

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- (1) Labor and management should step up efforts to improve labor market
- (2) Discuss safety net in the event 18 is made age of majority

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, December 16

NIKKEI (Page 2) (Full)
December 17, 2008

09:01

Attended a cabinet meeting. METI Minister Nikai stayed on.

10:57

Met at the Kantei LDP Policy Research Council Chairman Hori, his deputy Sonoda, road-related revenues general spending project team chair Tanigaki, and MLIT Minister Kaneko.

11:56

Had a lunch with LDP first-term lawmakers in the presence of Deputy Chief Cabinet Secretary Matsumoto. Chief Cabinet Secretary Kawamura joined in.

13:11

Met High Energy Acceleration Research Organization Professor Emeritus Makoto Kobayashi in the presence of MEXT Minister Shionoya. Afterward met Japan Association of National Universities Chairman Komiyama and Federation of Japanese Private Colleges and Universities Associations Chair man Anzai.

13:58

Met Economic and Fiscal Policy Minister Yosano and Assistant Chief Cabinet Secretary Fukuda.

15:01

Met Ocean Policy Research Foundation President Akiyama, followed by Cabinet Councilor Toyoda, in the presence of Vice-Foreign Minister Yabunaka, Vice METI Minister Mochizuki, in the presence of Deputy Vice-Minister Ishige.

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16:03

Met Reform Club Representative Watanabe and others, followed by Moroccan Ambassador to Japan Lecheheb in the presence of MHLW Minister Masuzoe. Afterward, met Kawamura.

17:01

Attended a Council on Economic and Fiscal Policy meeting.

17:34

Met Kawamura, followed by Finance Minister Nakagawa, Vice Finance Minister Sugimoto and Budget Bureau Director General Tango.

18:33

Met Defense Parliamentary Secretary Takeda and others.

19:08

Met senior vice ministers in the presence of Kawamura, Matsumoto and Konoike.

20:59

Met Matsumoto at an Imperial Hotel bar.

23:33

Returned to his private residence in Kamiyamacho.

4) Senior U.S. official expresses hope for Japan's civilian contributions to Afghanistan

MAINICHI (Page 2) (Abridged slightly)
December 17, 2008

Masaya Oikawa, Washington

Department of State Japan Desk Director Daniel Russel held a press conference at the Foreign Correspondents' Club in Washington on Dec. 15. Touching on Japan's contributions to Afghanistan, he expressed hope for the dispatch of civilians in such areas as police, construction, education, and medical services. Given the incoming Obama administration's clear indication that it will put high priority on Afghanistan, there is a possibility that further contributions from Japan will become a focal point.

Regarding Japan's future contributions, Director Russel said: "The United States and Japan are continuously discussing the matter. What is necessary depends on Afghanistan's needs rather than what is requested by the United States." He also indicated that the dispatch of civilians in a wide range of fields must be discussed, citing police officers, construction workers, teachers and nurses as specialists needed in Afghanistan.

5) MSDF authorizes Aegis intercept system

NIKKEI (Page 2) (Full)
December 17, 2008

The Maritime Self-Defense Force has now authorized an intercept

system with the Standard Missile 3 (SM-3) mounted on its Aegis-equipped destroyer Chokai, MSDF Chief of Staff Keiji Akahoshi told a press conference yesterday. In November, the MSDF failed in an intercept test off Hawaii. "There was no problem with the ship's system," Akahoshi said.

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6) ASDF anticipated returning fire after emergency landing

TOKYO SHIMBUN (Top play) (Full)
December 17, 2008

The Air Self-Defense Force, which conducted airlift activities in Iraq under a law for special measures to assist with Iraq's reconstruction, had set weapons use guidelines in its rules of engagement (ROE), sources revealed yesterday. In other words, the ASDF had anticipated case where its cargo planes, which are supposed to have flown in 'noncombat areas,' were shot down and could no longer fly. This shows a discrepancy between the law and the actual activities.

The ROE were laid down in November 2003 before the Self-Defense Forces' Iraq dispatch. It stipulated what to do after a C-130 transport plane's emergency landing, anticipating a case where the plane is surrounded or plundered.

In the case of an emergency landing, ASDF crew members are not allowed to use weapons if they are only surrounded. The ROE allows them to use weapons if and when they or their aircraft is endangered and they have no choice but to break through the encirclement. In the case of pillage after an emergency landing, the ROE allows ASDF members to use weapons when they feel endangered even if the enemy has no weapons.

The ROE also anticipate a case where ASDF members find it impossible to defend their aircraft even by returning fire. In this case, the ROE stipulate that the ASDF crew should give up their cargo plane and evacuate.

The Iraq Special Measures Law stipulates SDF activities in "noncombat areas." Regarding airlift activities in Iraq, the government has explained that air routes and airports are noncombat areas. However, the ROE go so far as to anticipate even a case where an ASDF C-130 transport is downed and comes under attack after its emergency landing.

In the ASDF's actual airlift activities in Iraq, the C-130's alarm was often activated against potential attacks from shoulder-launched missiles over Baghdad.

Former ASDF Chief of Staff Tadashi Yoshida told the Tokyo Shimbun after his retirement: "If you can show the noncombat area on a map, that's all right. But we don't know which part is a noncombat area and which part is not. That doesn't go with the world of pilots." With this, Yoshida showed a gap with the government's account.

7) Weapons use against pirates constitutional: gov't

ASAHI (Page 4) (Full)
December 17, 2008

The government, now studying measures (to protect Japanese tankers and other commercial ships) against pirates that are rampant in waters off the coast of Somalia, has released a view allowing the Self-Defense Forces to use weapons in order to crack down on pirates there. The government says the SDF's use of weapons for that purpose does not fall under the constitutional prohibition of Japan from using armed force overseas. However, the pirates in the offing of Somalia are armed with rockets and other weapons. Moreover, the

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pirates are organized. The SDF's use of weapons against armed pirates will therefore likely result in a full-fledged battle with

them. There are many challenges in store, such as what to do about guidelines for weapons use or the rules of engagement (ROE).

In a meeting yesterday of the House of Representatives Security Affairs Committee, former Defense Agency Director General Gen Nakatani, a House of Representatives member of the ruling Liberal Democratic Party, interpellated the government about constitutional problems. Tsuneyuki Yamamoto, director general of the Cabinet Legislation Bureau First Department, replied: "In case an order has been issued for maritime security operations, SDF personnel's use of weapons within the bounds of the Policemen's Duty Performance Law does not conflict with Article 9 of the Constitution." The government's interpretation is that launching an attack against "a state or a state-like organization" falls under the constitutionally prohibited use of armed force but the SDF's use of weapons against a private group of pirates cannot be called unconstitutional. In case the defense minister issued an order for maritime security operations, SDF personnel-as well as police officers-are allowed to use weapons if and when those believed to be vicious criminals resist.

However, the current maritime security operations are to be conducted in order to protect the lives and assets of Japanese nationals. The Defense Ministry deems it difficult to conduct maritime security operations against pirates that attack foreign vessels. The government and a nonpartisan group of lawmakers are therefore looking into the option of creating a special measures law for antipiracy activities off Somalia or a permanent law to crack down on piracy.

8) New ESTA system requires visa-waiver visitors to obtain online pre-approvals starting next month

SANKEI (Page 3) (Excerpts)
December 17, 2008

The U.S. government will require Visa Waiver Program visitors coming to the U.S. to register online before entering the U.S. Those without the pre-approval document are likely to be refused entry into the country. But many Japanese tourists seem to be still unfamiliar with the introduction of the new program, although only less than one month is left before it will be launched. The Scheduled Airlines Association of Japan, composed of domestic airlines, is trying to spread the information.

The U.S. will introduce the Electronic System for Travel Authorization (ESTA) as part of measures to prevent terrorists from entering the nation. The Visa Waiver Program has allowed Japanese visitors to go to the U.S. for tourism or business purposes for up to 90 days without a visa. But the new system will require such visitors to get pre-approval through online procedures.

Domestic airlines intend not to let passengers with no pre-approval document board a plane once the new program is launched. This is in order to avoid any trouble after the passengers arrive in the U.S.

In principle, visitors should comply with online procedures on their own. They are required to enter such details as their name, passport number, and whether or not they have a criminal record. The application should be submitted at least 72 hours before departure.

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9) Sales tax hike in fiscal 2011 stipulated in mid-term government program

YOMIURI (Top Play) (Excerpts)
December 17, 2008

The government on December 16 presented to the Council on Economic and Fiscal Policy, chaired by Prime Minister Aso, a mid-term program for drastic reform of the tax code, which stipulates its policy of raising the consumption tax in fiscal 2011. The panel unanimously approved the proposal. The program mentions that drastic reform of the tax code, including the consumption tax, will be implemented in stages between fiscal 2011 and fiscal 2015 for the establishment of

a sustainable fiscal structure. The government will aim at having the program adopted at a cabinet meeting by the 24th, when a government plan for the fiscal 2009 budget is slated to be approved. However, coordination of views with the ruling parties, which are strongly opposing the idea of mentioning the timetable for raising the tax rate, is bound to encounter complications.

The government plan stresses its intention to use increased tax revenues as stable funding resources for social security spending. It also stipulates the timetable for the proposed hike, with economic recovery as the premise. The program also notes that legislative measures needed to hike the consumption tax will be taken in 2010.

Gist of mid-term government program

- ? Implement in stages drastic reform of the tax code, including the consumption tax, between fiscal 2011 and fiscal 2015.
- ? Make a comprehensive approach, including consideration into multiple tax rates.
- ? Take legislative measures in 2010
- ? Use increased revenues for social security benefits and measures for the declining birthrate
- ? Revise the structure of the income tax system from the perspective of correcting the social disparities
- ? Lower the corporate tax in order to strengthen companies' international competitiveness
- ? Secure stable funding sources in fiscal 2011 to finance a hike in the state contribution to the basic pension to 50 PERCENT and make it a permanent measure.

10) New Komeito certain to object to government's medium-term program; LDP likely to be caught between government and New Komeito; Ruling bloc's project team to meet today; Prime minister might lose his grip on ruling parties

NIKKEI (Page 2) (Abridged slightly)
December 17, 2008

The government has presented a medium-term fundamental tax reform program with a consumption tax hike in fiscal 2011 in mind. Following this development, the ruling bloc will hold the first meeting today of its project team (PT) to study the medium-term program. The program is certain to draw fire from the New Komeito, which is concerned about the program's possible negative impact on the next Lower House election. The Liberal Democratic Party will likely be torn between the government and the New Komeito. Difficulties in coordinating views could further reduce Prime

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Minister Taro Aso's grip on power.

Doubts about Yosano

LDP Policy Research Council Chairman Kosuke Hori around noon yesterday asked former Finance Minister Fukushima Nukaga to chair the PT. Nukaga agreed to assume the post on the condition he be given full initiative in running the PT, saying, "Someone has to do it."

The PT consists of about eight persons, including tax and social security policy officers of the LDP and New Komeito. The PT chairman's post has been declined by a number of senior LDP Tax Commission members. They apparently did not want to have "pull the chestnut out of the fire" in the expected clash between the government and the New Komeito.

The ruling parties have unveiled a tax reform outline for fiscal 2009 that did not specify the timing to raise the consumption tax rate. But the prime minister still publicly declared that the government would hike the sales tax in fiscal 2011. Economic and Fiscal Policy Minister Kaoru Yosano, who has reportedly given Aso a positive push, telephoned PT members after yesterday's Council on Economic and Fiscal Policy meeting to tell them, "Although the contents is the same as the ruling bloc's outline, new figures have been added." In a press conference as well, Yosano explained, "There

is nothing that runs counter to the spirit of the outline."

But the path to fundamental tax reform mentioned in the government's plan is the same expression as that presented by the LDP in a ruling bloc tax reform council meeting that failed to obtain the New Komeito's endorsement. "Is there any guarantee that the economy will pick up in fiscal 2011?" a senior New Komeito member said. In the party, there are doubts about Yosano, with one saying: "Mr. Yosano plans to cause a crack to open between the LDP and New Komeito over the medium-term program that could lead to a grand alliance between the LDP and the (opposition) Democratic Party of Japan."

Party-head talks

Criticism is simmering in the LDP, with former Secretary General Hidenao Nakagawa saying: "It is irresponsible to speak only of a tax hike without presenting what should be done, such as turning around the economy and cutting salaries of civil servants." At the same time, there is a view in the party that if the prime minister's leadership suffers another setback, it would take a devastating toll on the party in next Lower House election.

New Komeito Chief Representative Akihiro Ota said in a press conference yesterday: "Given the prime minister's statement, it is important for the ruling parties to discuss the matter thoroughly to arrive at a smooth conclusion." One senior LDP member noted: "There is no other option but to settle the matter in the end through party-head talks."

11) Administrative Reform Minister Amari: Cabinet shuffle a possible choice to boost Aso administration's popularity

TOKYO SHIMBUN (Page 2) (Full)
December 17, 2008

In an interview to the Tokyo Shimbun, Minister of State for

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Administrative Reform Akira Amari stated: A shuffle of the cabinet of Prime Minister Aso and the lineup of the Liberal Democratic Party executives "is one of the choices to boost the Aso administration's popularity. I think there should be a dream team that would tackle the difficult situation of a century by appointing bigwigs who are policy experts to a new cabinet."

Amari talked about the current cabinet lineup: "The cabinet was formed based on the premise of a dissolution of the House of Representatives. It is not a full-scale cabinet for making policies."

However, he admitted that that Prime Minister Aso probably had no intention to shuffle his cabinet and the LDP leadership.

12) DPJ forgoes filing censure motion against Prime Minister Aso

TOKYO SHIMBUN (Page 2) (Full)
December 17, 2008

The Democratic Party of Japan (DPJ), the largest opposition party, decided yesterday to forgo submission of a censure motion against Prime Minister Taro Aso to the current extraordinary session of the Diet. The decision was revealed by a senior DPJ Upper House member.

The DPJ has judged that rather than to boycott deliberations on the budget bill, it would be wiser for it to pursue contradictions in the fiscal 2008 second supplementary budget during the next regular Diet session, which is scheduled to be convened on Jan. 5. This decision takes into consideration the low support ratings of the Aso cabinet in the polls.

13) Final stage of current Diet session in tense situation; Opposition camp intends to steamroll vote on employment bills, ruling coalition desperate to cap criticism for inability to devise new measures

TOKYO SHIMBUN (Page 2) (Full)

December 17, 2008

The ruling coalition is reacting strongly against the main opposition Democratic Party of Japan's (DPJ) stance of not hesitating to steamroll a vote on Dec. 18 in the House of Councillors Committee on Health, Labor and Welfare on a set of four employment measures bills. The DPJ, the Social Democratic Party (SDP) and People's New Party (PNP) jointly submitted the bills to the Upper House. With the closing day of the ongoing Diet session approaching, maneuvering between the ruling and opposition camps is now intensifying.

Referring in an executive meeting yesterday to the bills, DPJ Diet Affairs Committee Chairman Kenji Yamaoka said: "We will not hesitate to take a forced vote for the sake of the people."

The DPJ is expected to hold on Dec. 18 a rally together with the SDP and PNP calling for an early passage of the bills. The party also plans to hold a meeting of the leaders of the three parties in order to play up their solidarity.

At a press meeting yesterday, Liberal Democratic Party (LDP) Upper House Diet Affairs Committee Chairman Seiji Suzuki expressed his anger at the opposition's such moves, arguing: "I think the Upper

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House may change from the chamber of wisdom to the seat of darkness. I feel the Upper House is in danger."

The opposition camp submitted the bills to the Upper House on Dec. 15, only ten days before the end of the ongoing Diet session and then referred them to the committee just two hours after that.

The ruling bloc is angry because the opposition forced the taking of a vote on the measures in the committee on Dec. 18 without giving any explanations of them (according to Suzuki).

However, the ruling bloc gave the opposition a chance to criticize the government for being unable to devise any appropriate measures to cope with the situation, even putting off submitting a second supplementary budget for fiscal 2008.

As such, LDP decided yesterday in a liaison meeting to bolster a public relations campaign on the government's emergency employment measures, with Secretary General Hiroyuki Hosoda saying: "We will carry out a public relations activity to explain the public the contents of the emergency package." The LDP is now desperately trying to cap the criticism that the government is unable to come up with any appropriate measures.

14) New Komeito shows displeasure with Koga statement: Could become yet another source of friction

MAINICHI (Page 5) (Excerpts)
December 17, 2008

Liberal Democratic Party (LDP) Election Committee Chairman Makoto Koga's statement referring to a possible revision of the party's election cooperation with New Komeito on December 16 has created a stir in the ruling camp. Many members of the New Komeito and Soka Gakkai, the party's power base, expressed displeasure. One senior member even telephoned Koga to ask what he meant. Secretary General Hiroyuki Hosoda hurriedly tried to put the uproar to rest, saying, "He just stated his own view." However, Koga's statement could become yet another source of friction between the LDP and the New Komeito.

Koga on December 15 suggested that the LDP might rethink its current election cooperation setup with the New Komeito, under which LDP candidates cooperate with New Komeito in proportional representation in return for their receiving support from New Komeito in single-seat constituencies. Referring to his statement, Koga on the 16th told reporters: "The LDP must do its best in the proportional representation system as well. It is important both for the LDP and the New Komeito to garner more votes."

Behind Koga's statement is a sense of alarm at the present state the LDP is facing, including a sharp decline in public approval ratings for the Aso cabinet. One senior party official said, "In recent national elections, 20 PERCENT -30 PERCENT of LDP supporters did not vote for candidates endorsed by the LDP." Few believe that the Koga statement will accelerate moves to rethink cooperation with the New Komeito. However, he certainly voiced the true feelings of many LDP members -- they want cooperation from the New Komeito, but there is no room for them to hand over votes in proportional representation.

Prime Minister Taro Aso at a meeting with senior vice ministers from

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each government agency on the evening of the 16th said, "I heard that Mr. Koga said that the LDP can win the election if it cuts ties with the New Komeito." Two senior vice ministers of the New Komeito were present at the meeting, but they kept silent.

Many New Komeito members were perplexed at the Koga statement with one noting, "Soka Gakkai members, who have thus far supported LDP candidates because they had no choice but to do so, may say that they will not support the LDP any more." A senior Soka Gakkai member expressed displeasure: "An appropriate person in the LDP must properly reject the Koga statement."

SCHIEFFER